

# Italy: Stuck in neutral

As expected, Italian growth failed to outperform that of the Eurozone in 2024 (average annual growth of 0.5% versus 0.7% respectively). In addition, it remained at a standstill in Q4 (0.0% q/q) for the second consecutive quarter.

**In the industrial sector, the situation is still deteriorating.** The manufacturing PMI was in sharp contraction territory for the tenth consecutive month in January (46.3), reflecting the weakness of new orders (42.8) and, therefore, of quantity of purchases (42). However, according to the European Commission's Economic Sentiment Indicator (ESI), business sentiment in industry improved in January (-8.3, the best level since July), which allowed the overall ESI to rise above 100 for the first time in eight months (100.2). On the services side, confidence remained moderate (5.0; -0.1 pt), and was marked by a decline in business expectations for demand in the coming quarter (3.3; -2.3 pts).

**Italy still has the second lowest inflation in the Eurozone after Ireland** (see chart). However, as elsewhere, inflation picked up in January (+0.3 pp to 1.7% y/y), due to less energy deflation (-0.7% versus -2.7% y/y in December). This slight pick-up in inflation is likely to continue, with the year-on-year change in producer prices returning to positive territory in December for the first time since March 2023 (1.1% versus -0.5% in November).

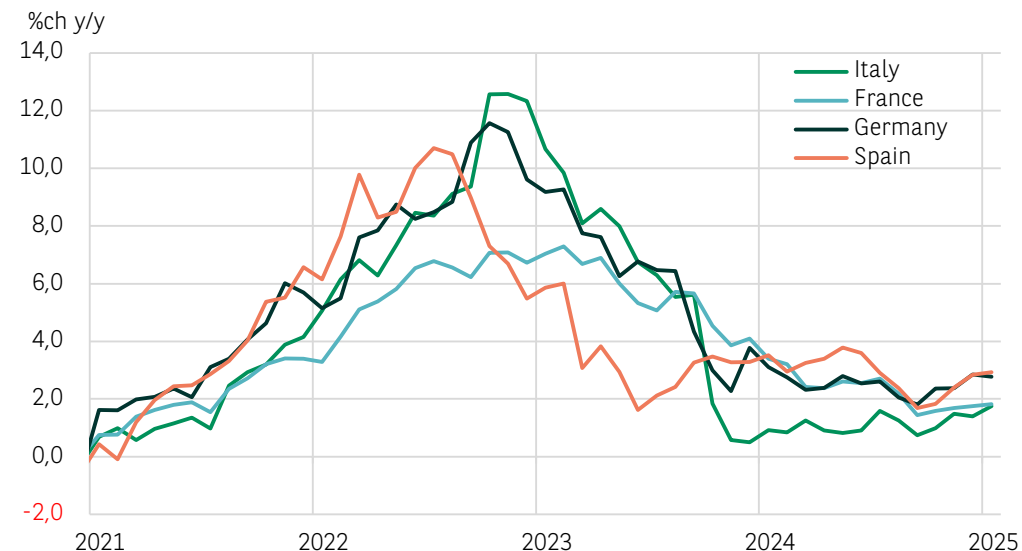
After falling sharply in December (-1.7 pts compared with November), **consumer confidence improved in January** (14.8; +0.8 pt over one month), but is still far from its pre-pandemic average (-12.6 between 2015 and 2019). Household sentiment regarding the economic situation over the coming year remains negative and has improved only very slightly (-14.5) compared with its 2024 average (-15.5). In addition, households' intentions to make major purchases during the year have not improved significantly (+0.6 pt over one month), and intentions to build or buy a house have even fallen by 2.4 pts compared with the previous quarter.

**The latest developments in the labour market point to a slight deterioration.** The unemployment rate rose in December (+0.3 pp), but is still below the Eurozone average (6.2% versus 6.3% respectively). Both the employment rate (62.3%) and the total volume of employed people (24.1 million) decreased compared to November, but are still very high by historical standards.

**These few, albeit fragile, signs of recovery in the confidence surveys lead us to anticipate modestly more positive growth in Q1** (0.3% q/q, according to our forecasts).

Lucie Barette, article completed on 3 February 2025

## Inflation trends in the four major eurozone countries



Sources : Eurostat, Macrobond, BNP Paribas

## GDP growth

Actual				Carry-over	Forecast			Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0.4	0.2	-0.0	-0.0	0.0	0.3	0.3	0.3	0.5	0.8	1.0

Source: Refinitiv, BNP Paribas